

Vermont State Employees' Retirement System

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July 2006

DIRECTOR'S CORNER

Pension Software Project Update

We're happy to report the Retirement Office electronic imaging project, which started in July, was completed on schedule and under budget.

The Retirement Office previously maintained a paper file for each and every active and retired member, estimated at approximately 1.8 million pieces of paper. Electronic imaging of all paper files allows member records to be viewed on computer screens. This not only saves a significant amount of time, but is also much more secure in the event of a fire or other type of disaster. One of the other rewarding results of this project was not having to move more than 60 file cabinets to our new location at 109 State Street.

The Line of Business RFP was released in July, and a bidders' conference was held in August. Five responses were received in September, product demonstrations were provided in October, and just after the move to our new location, second demos from vendors

Continued on back page



Legislative Update

The 2006 session was a very busy one for the Retirement Office. There were a number of bills that were retirement related, and many hours were spent up at the State House explaining the cost or impact of a specific bill or legislative initiative. The end result was worth the effort. The following legislation passed effective **July 1, 2006** (unless otherwise noted), that affects members or retirees of the Vermont State Retirement System:

H.238 – Minimum pension increase for Group A retirees, expansion of Vietnam period for military credit and new dental plan

► The minimum pension for Group A retirees with

30 or more years of service will increase to \$6,600 effective **September 1, 2006**. *This means that if you retired from the Group A plan, and your average final compensation was less than \$13,200 at the time of retirement, you will receive an increase in your September pension payment.*

Group A retirees who retired with less than 30 years of service will receive a prorated increase. The bill includes an automatic \$1,000 increase in the minimum pension every five years. It is important to note that reductions due to survivorship options or early retirement penalties will be applied after the new minimum pensions are calculated.

The Retirement Division will be busy recalculating

the minimum pensions for affected retirees over the next few months. We will send out a letter to all affected retirees quoting the amount of the increase during the month of September. Please do not call our office to request what your actual increase will be as inquiries may affect our ability to complete the calculations by the September deadline.

► The period of Vietnam service recognized for either a grant of service or a stipend will be expanded to include the dates between February 28, 1961 through August 4, 1964 if service was performed in what is now the Republic of Vietnam. If you served during this period prior to becoming a member of the State Retirement System, please read the article

(continued on Insert page 2)

Your Retirement Division....

The Retirement Division of the State Treasurer's Office is currently comprised of 13 staff members. The primary function of the staff is to serve the needs of the active contributing members and retired members receiving benefit payments. The staff of the Retirement Division conducted 1,216 individual counseling sessions and processed a total of 716 retirements for members of the three systems during the 2005 calendar year: 365 Teacher retirees, 255 State retirees, and 96 retirees in the Municipal system. Staff also calculated over 7,000 retirement estimates at the request of prospective retirees, a fifty percent increase over 2004. A variety of staff conducted 75 informational sessions across Vermont for members of the three systems in 2005, with approximately 1,775 individuals in attendance. (See the chart on page 2.)

We are always looking for ways to better serve our customers. If you have suggestions, please call our offices at 802-828-2305, locally or out-of-state; 1-800-642-3191, toll-free within VT; or e-mail us at treasurers_office@state.vt.us.

Wondering What To Do With A Recent Salary Increase?

Reward yourself by putting it into the \$457 Deferred Compensation Plan! If you aren't already a member there's no better time than **now** to sign up for the easiest way ever to save for your future. Call 1-800-457-1028 or 802-229-2391 to set up a personal appointment with a Great-West Retirement Services representative to discuss the options.

If you are already one of the 5,800 Plan members, simply in-

crease your deferral.

Changing or beginning contributions couldn't be easier, and the benefits are remarkable. Remember, the money you won't miss now could be the money you need later!

Visit us on the Web at
www.vermonttreasurer.gov

We Moved...

In October 2005, after many months of anticipation, the movers came, packed, and moved the Treasurer's Office from the 2nd floor at 133 State Street, where it has been for the past 60 years, across the Capitol lawn to the 4th floor of the Pavilion Building at **109 State Street**. Other than changing the physical location and address of the office, nothing else has changed. Our Web address, phone numbers, and the faces all remain the same! Please feel free to drop by for a visit, anytime.

Estate Planning: Get The Facts

Since you've worked hard for your money, and made decisions to save wisely, it's natural for you to want some control over the destination of your assets at the time of your death. There are measures you can take now to avoid potential hassles for your loved ones in the future, but the first step is to gain all the facts involved in planning your estate.

What Does Estate Planning Include?

Estate planning can include the following steps:

- Locating and reviewing your current documents (Will, life insurance policies, beneficiary designations, etc.).
- Taking inventory of everything you own (life insurance, real estate, employee benefits, etc.).
- Developing your own personal estate planning goals.
- Determining how you intend to dispose of everything.
- Estimating tax consequences of implementing your goals and considering alternate ways to achieve those goals.
- Preparing and executing the documents to implement your plan, such as a Will, beneficiary designations or changes, Power of Attorney, Living Wills, etc.
- Reviewing your plan and changing the documents if necessary (usually every five years, or when significant events occur, such as birth, death, marriage, divorce, etc.).

Before making any decisions regarding your estate planning strategy, it may be appropriate to talk to an experienced estate attorney or financial advisor, or visit other estate planning resources including the Federal Information Center at www.pueblo.gsa.gov.

Extra Weight Promotes Cancer?

We're being told that obesity increases the risk of many diseases and even forms of cancer, but most of us need to know how, and why, extra weight causes cancer. Often knowing the why of something helps us to better see the connection and take action.

As published in the *New England Journal of Medicine*, researchers followed 900,000 people for 16 years, all of whom were cancer-free when the study began. The heaviest members had death rates that were 52% higher for men and 62% higher for women than those people of normal weight. That means that excess weight and obesity may account for 14% of **all** cancer deaths in the U.S. for men and 20% for women. Learn what you can about this critical issue from your doctors, or healthcare professional, and watch your weight. We care about your good health.

Your Retirement Division... (from page 1)

Retirement Division Performance Indicators

Activity	Calendar Year 2005	Calendar Year 2004	Percent Change
Estimates	7,031	4,700	50%
Individual Counseling Sessions	1,216	1,070	14%
Retirements	716	655	9%
Withdrawals	2,816	3,072	-8%
Deaths	279	265	5%
Seminars	75	71	6%
Seminar Attendance	1,775	1,830	-3%

STRAIGHT FROM THE BOOK *Eligibility for Group F Retirement*

Normal Retirement

You are eligible to receive a normal retirement benefit when you reach age 62 or have 30 years of service, whichever comes first.

Early Retirement

You are eligible for an early retirement benefit once you have completed five years of service and have attained age 55. If you terminate service before age 55 you are not eligible for early retirement benefits, although you may be eligible for vested benefits.

Disability Retirement

There are two forms of disability retirement: service-connected disability and ordinary disability. With a service-connected disability, there is no minimum service requirement; the Board of Trustees determines if you are disabled (as the result of an on-the-job injury) on the basis of medical evidence.

For ordinary disability there are two requirements: the Board of Trustees must determine you are disabled on the basis of medical evidence, and you must have at least five years of service. You should contact the retirement office if you have any questions concerning disability benefits or the application process.

An annual review of the status of your disability may occur. Your eligibility ceases at the end of the month in which you recover and/or are determined no longer disabled. Termination of a disability pension does not affect your right to apply for a transfer to a normal or early pension benefit, if qualified.

If you have questions or require more information, please contact the Retirement Office at any time, Monday-Friday 7:45 a.m. to 4:30 p.m.

Retiring within the next 5 years? Here are some helpful tips.....

The Annual Benefit Statement you receive each fall is an excellent resource for long-term retirement planning. As you get closer to your expected retirement date, however, you should begin to look more closely at all of your income sources as well as your expected obligations after retirement so that you will have a more accurate picture of your long-term financial status.

5 years from retirement – Take a close look at your debt ratio. Take steps to pay off as much of your outstanding debt as possible, especially items such as credit card balances and personal loans. Replace high-ticket items such as kitchen appliances, washer and dryer, lawn tractor, etc. in order to avoid costly unexpected expenses after retirement. Pay off your mortgage if you have not already done so.

2 to 3 years from retirement – Obtain estimates from the Retirement Division and the Social Security Administration for your projected monthly benefit under all options based on your anticipated retirement date. Anticipate what you will have from other sources, such as a deferred income plan [457, 403(b) or 401(a) or 401(k)], income from

real estate, a business, inheritance, etc. Work with a financial planner or utilize a financial planning program to determine what your monthly income will be compared to your monthly obligations. Take steps to bring them into alignment if necessary. Keep in mind this may mean that you will have to defer your anticipated retirement date for another year or more to ensure you will have sufficient income to meet your needs in retirement.

1 year from retirement – You have done your homework and can now relax and enjoy your final year of employment, knowing that you can look forward to a secure and enjoyable retirement. Request an updated estimate from the Retirement Division and the Social Security Administration for your anticipated retirement date under all options. Once you receive your estimates, we strongly recommend that you make an appointment with one of the retirement specialists in the Retirement Division by calling 1-800-642-3191. The specialist will go over all of your options in detail and assist you to complete the necessary paperwork to file for retirement benefits.

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Important Facts About Your Retirement Plan

- ▶ Retirement is effective the first of the month following separation of service.
- ▶ Benefits are paid the last working day of the month for that month.
- ▶ There are several different retirement options to choose from. You must elect an option prior to commencement of retirement benefits, and your option cannot be changed after retirement.
- ▶ The majority of your pension will be considered taxable income.
- ▶ BENEFITS ARE NOT AUTOMATIC. YOU MUST APPLY FOR THEM.

Attention Single Deposit Investment Account Members:

As reported in the July issue of the *Retiring Times*, on November 1, 2005, the SDIA Third Party Administration for this plan was awarded to Great West Retirement Services, the same experienced and capable group of professionals that handles the State's §457 Deferred Compensation Plan.

If you have need assistance with your SDIA account, or have questions, please contact Great-West at its local number 802-229-2391 or call toll free at 1-800-457-1028.

What is Social Security Part D? What should I Do?

No action is required by you if you are currently covered by the State Employees' retirees' health plan. Your drug coverage under the state plan remains in effect. You should continue using the plan as you always have.

When you are covered by a prescription drug plan, there is **no financial penalty for a later enrollment** in the Medicare Part D drug plan, if needed. This is **different from Medicare Part B**, where there is a late enrollment penalty.

For more information contact the State of Vermont Department of Human Resources at 802-828-3455.

Director's Corner *(Continued from page 1)*

were seen from two selected vendors in early November. The vendor evaluation process concluded in December with the selection of Levi, Ray, and Shoup, Inc. (LRS), and thankfully delays or complications did not hamper our March 29, 2006, project kickoff date. Challenging work on this project lies ahead, but we are excited about the possibilities and will keep you informed with future updates.

Annual Benefits Statements ... If you are actively employed on June 30th, you will receive an Annual Benefit Statement in the fall, typically during the month of October. Your Annual Benefit Statement provides you with important information regarding the status of your retirement account, and your projected benefits under a normal retirement, early retirement, or a disability retirement. It also provides you with valuable information regarding how your family is protected if your death should occur while still actively employed. Take a few minutes to review your statement to ensure the information that is reflected in the statement is accurate. Make sure the following information is accurate according to your records: your salary and accrued service for the past fiscal year, your account balance and total accrued service at the end of the fiscal year, and your primary beneficiary designation. If your beneficiary designation is listed as "ESTATE," it means that you have not designated a beneficiary. Contact the Retirement Division at 1-800-642-3191 if there are inaccuracies, or you have questions regarding the information contained in your statement.

**** NEW ADDRESS ****

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Expanded Vietnam Military Service

If you served in the Republic of Vietnam during the period February 28, 1961 through August 4, 1964, you may be eligible to receive a grant of up to three years of creditable service OR receive a one-time stipend of up to \$1,500.

Legislation effective July 1, 2006, expands the period of service for retirement credit to the above-referenced dates for those who actually served in what is now the Republic of Vietnam. In order to qualify for a grant, you must be a member with a minimum of 15 years of creditable service in your State Retirement account, and have served a minimum of one year of full-time service prior to becoming a member. If you meet the eligibility criteria, you may apply for a grant of up to three years, providing you have not already received the maximum grant of three years for military service during the Vietnam Conflict period. In addition, you must not have any other type of benefit available to you from this pre-Vietnam period, unless the benefit is for Guard or Reserve duty. **You must apply for the grant prior to commencement of retirement benefits.**

If you are a beneficiary (retiree) of the State Retirement System who retired prior to July 1, 2006, and who, prior to retirement, met the eligibility requirements for a grant of service as outlined above, then you may apply for a one-time military stipend on or before December 31, 2006. If eligible, you shall be entitled to a stipend of \$500.00 for each year served, up to a maximum of \$1,500.00. The stipend shall be pro-rated for partial years of service.

If you have questions regarding this expanded military service, or feel you might qualify for a grant or stipend, call the Retirement Division at 1-800-642-3191. **NOTE: you must apply for the one-time stipend no later than December 31, 2006.** Applications received after that date will not be accepted.

State Treasurer to Conduct Study

Language was included in H.881, the Appropriations Bill, this year that authorizes the State Treasurer to utilize up to \$100,000 in pension trust funds in order to contract with an independent expert to review, evaluate, and make recommendations on pension and retiree health plan provisions and design, as well as benefit and contribution levels, for Vermont state employees and teachers. The review is intended to support an adequate, sustainable, and actuarially sound pension and retiree health plan, consistent with governmental accounting standards as well as demographic and workforce trends. A report of the findings and recommendations shall be forwarded to the governor and general assembly by December 15, 2006.

Bi-Annual Newsletters

In the future, newsletters will be distributed to active and retired members twice a year, in July and December. We welcome your comments and/or requests if you have a specific topic or question you would like addressed in an upcoming newsletter. In addition, we will send special announcements or flyers to targeted active or retiree groups as necessary. Please watch your mail for future notifications from our office to ensure you do not miss important and often time-sensitive information.

Do You Know... What the center of gravity is?

The letter "V".

LEGISLATIVE UPDATE (CONTINUED FROM PAGE 1)

entitled "*Expanded Vietnam Military Service*" located on page 1 of the Insert in this newsletter.

- ▶ The State Treasurer's Office is authorized to establish a dental plan for State retirees to be effective January 1, 2007.

All existing retirees will have a one-time option to join, and all new retirees on or after January 1, 2007 may enroll at the time of retirement. The cost of the premiums will be borne solely by the retiree, with no portion paid by the system. More information regarding this important new option will be distributed in the late fall.

H.547 – Comprehensive bill for State System

This bill received a lot of attention during the 2006 session. The original bill was introduced during the 2005 session, and included a number of proposals that did not ultimately make it into the final version that passed. The final bill included the following provisions:

- ▶ allows a group C member to retire under normal retirement with 30 years of service at any age.
- ▶ provides members retiring on or after **January 1, 2007**, with a new option to consider when completing their retirement paperwork. Under the current law, a retiring member may elect to continue medical coverage under his/her existing plan, and the system will pay 80% of the premium for as long as the retiree is alive. Thereafter, if the surviving spouse receives a continued benefit, he or she may continue the health coverage, but must pay the full premium. After January 1st, if a member elects a survivorship option to protect the retirement income for a dependent beneficiary, he or she may also elect to receive a reduced percentage of their medical premium in order to allow that same percentage to continue to a dependent beneficiary for the remainder of his/her lifetime.
- ▶ grants law enforcement employees in the group F plan a one-time option on or after January 1, 2007, to transfer to the group C plan effective July 1, 2007.
- ▶ creates a study committee to:
 - study options for providing existing and future state employees with the opportunity to recapture medical insurance and for providing medical benefits for new hires;
 - study criteria for membership, plan structure, and contribution rates of the group C plan;
 - evaluate the appropriate retirement group plan for state's attorneys and the attorney general;
 - conduct a survey of members of the group F plan relating to postretirement cost of living adjustments;
 - consult with the membership of all groups affected by the issues within the scope of the study; and
 - file a report of its recommendations with the house and senate committees on government operations by December 15, 2006.

H.887 – Option for DC members who become judges

This bill will allow exempt state employees who elect to participate in the defined contribution (DC) plan an option to elect to transfer back to the defined benefit (DB) plan if they later become appointed as a judge. The bill mandates that if the newly appointed judge elects to transfer back to the DB plan, (s)he must transfer the entire account balance in the DC plan back to the DB as well.

S.51 – Coordination of disability retirement benefits with workers' compensation

This bill provides the ability for an employee who has been denied a workers' compensation claim to appeal the denial while drawing a disability retirement benefit, if eligible. If the denial is reversed and retroactive workers' compensation benefits are granted, the retirement system will be reimbursed for the disability benefits paid during the interim. The bill also requires a disabled employee who is eligible for both a disability retirement and an award for a permanent partial or total disability from workers' compensation that is expected to extend beyond 330 weeks to make an election at the time of commencement of benefits. The disabled employee must elect whether to continue to receive the retirement or workers' compensation award beyond 330 weeks.